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RV BUSINESS

OCT 9

Sunrader Chrysler chassis

In Chrysler Corp.'s first major foray back into the motorhome-chassis business in more than seven years, the automaker is supplying almost all the components of a new chassis developed by Vironex Inc. for what Gardner-Pacific Corp. calls its "revolutionary" new 23-foot Sunrader Class A.

Perry LeMaster, president of Vironex, Canyon Country, Calif., said that Vironex has been working with Chrysler for the last three years in the development of a new chassis made up almost completely of fully warranteed Chrysler parts, including Chrysler's 360 5.4-liter V-8 engine, steering linkages, independent suspension and brakes. The chassis has a 10,000-pound gross vehicle weight rating and a 135-inch wheelbase.

Bob Trump, manager of product development for the Beaver Dam, Wis.-based Marine and Industrial Division of Chrysler's new Acustar subsidiary concentrating on component manufacturing (excluding captive automotive components), explained that the division is "uniquely set up to customize component subassemblies" and is "now supplying EPA-legal engines and drivetrains to companies such as Vironex and other major customers."

According to Trump, "Interest from other companies in the RV industry has been expressed" about similar component packages, and knowledgeable sources say that some of that interest is likely to focus on using the front-wheel-drive Voyager and Caravan minivan component packages in motorhomes.

To date, the chassis ordered from Vironex have all been pur-

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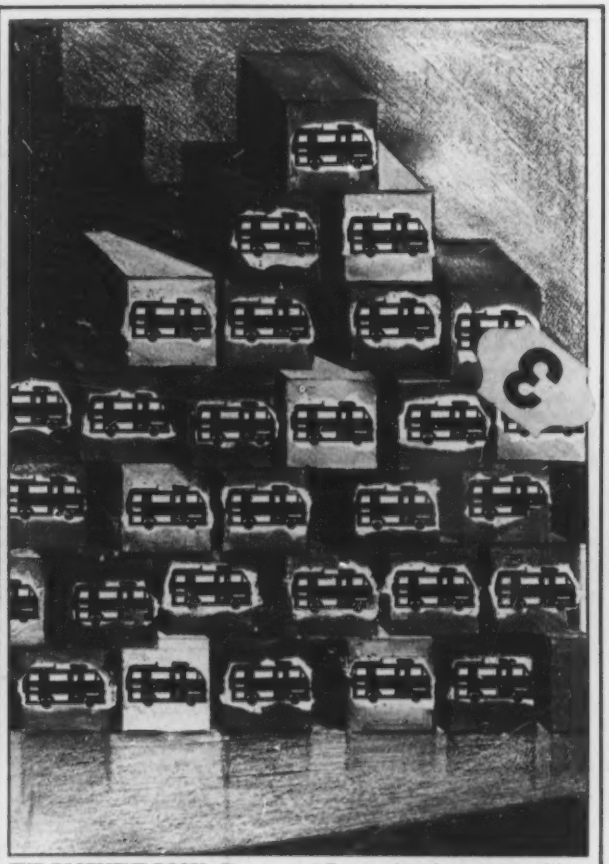

THE BASEMENT BOOM: Fleetwood Enterprises' success with the "basement model" Bounder has led to an explosion of new "extra-storage" units. The trend is creating innovation, competition—and controversy. See page 18.

Vixen Shuts Plant; Plans Traditional '88 RV Model

Faced with lagging sales of its high-tech low-profile motorhomes, Vixen Motor Co., Pontiac, Mich., closed its assembly operations in early September and announced that it was preparing for the introduction of a more traditional version of the Vixen 21 by February 1988.

About 100 of the company's 145 employees are on furlough until the new models come out, according to Gerald Bryce, Vixen chief executive officer. He added that Vixen would continue to distribute current vehicle models through its dealers until the new model comes out.

Industry observers say sales of Vixen 21 and XC models—which stressed fuel-efficiency, younger buyers and distribu-

continued on page 6

Massive Ford Recall Includes RV Chassis

Ford Motor Co., Dearborn, Mich., announced a voluntary recall in mid-September of 4.3 million vehicles, including 200,000 heavy-duty Econoline E-250 and E-350 vans, cutaways and stripped chassis equipped with electronic fuel injection.

The recall was implemented at the request of the National Highway Traffic Safety Administration (NHTSA) and is intended to deal with hazardous fuel expulsion when the fuel filler cap is removed. It is the second largest in Ford's history and is expected to include thousands of units currently in use as van conversions or Class B and Class C motorhomes.

In an official statement accompanying the announcement of the recall, Ford officials explained: "The Econoline vehi-

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OCT. 9, 1987 TWO DOLLARS

RV BUSINESS

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COVER ILLUSTRATION: MARK DAVY

PROSPECTS FOR '87 AND '88 ARE REVISED DOWNWARD

MORTON J. MARCUS

Forecasts are based on our knowledge of the past. When our view of the past is changed, we often change our view of the future, too. That is exactly what has happened in the past month or so.

The federal gnomes who generate our basic statistics have made major revisions in the economic data for the period of the current national business recovery, which began in late 1982 and is still in progress. The new picture of this recovery indicates that consumer spending has been even stronger than we had suspected. Households have been the major force behind the sustained, but often erratic, growth of the nation in the last five years.

Unfortunately, the implications for the RV industry are not favorable. There has been no revision in the RV-shipment data; hence, we have to conclude that RVs are a smaller part of the total picture than previously estimated. The industry has not participated as strongly in the recovery as it did in the economic expansion of the 1970s or in the downturn that opened this decade.

As a result, our earlier forecasts—which called for strong growth in consumer spending to result in a strong performance by the RV industry—have been revised downward.

A graphic view of that revision is shown in Figure 1. In our last forecast *(RV Business,* July 10, 1987), we called for total RV shipments of 452,900 units in 1987. With our new view of the national economy, we are lowering that forecast by 17%, to 375,600 units for 1987. A detailed comparison of the previous and current forecasts is shown in Table 1.

FIGURE 1

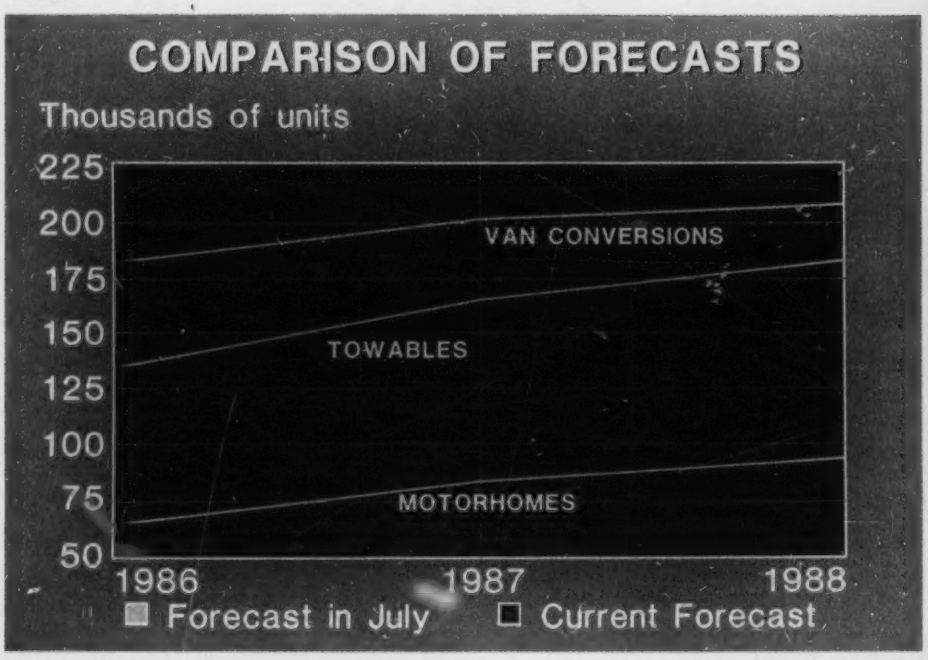
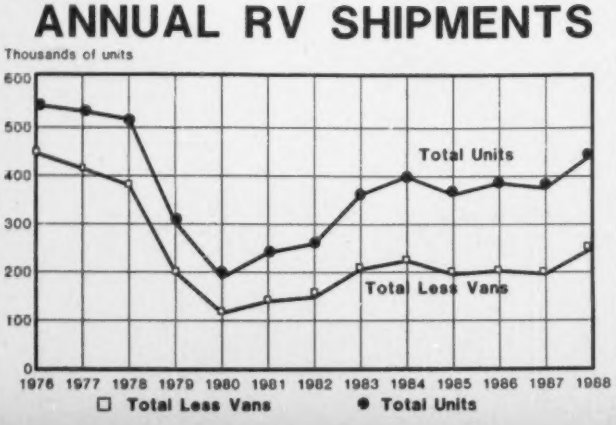


TABLE 1

Comparison of forecasts for 1987 shipments

	Forecast in July (Number of Units)	Current Forecast (Number of Units)
Vans	201,200	179,100
Towables	165,900	129,400
Motorhomes	85,800	67,100
Total	452,900	375,600

FIGURE 2



Van-conversion shipments are now forecast to run at 179,100 for 1987, a downward adjustment of 11%. Both towable and motorhome shipments are brought down even more (by 22%), with 129,000 units seen for towables in 1987 and 67,100 units predicted for motorhomes.

We continue to see potential for significant growth in the industry, although we must admit that we have more questions about our forecast than previously. Thus, our 1988 shipments forecast approaches our earlier views, but at reduced levels. Van-conversion shipments have been revised downward by nearly 13,000 units, towables by 24,000 units, and motorhomes by 16,000 units. Nonetheless, we anticipate that 1988 shipments will increase to just under 445,000 units (250,000 excluding vans), as in Figure 2.

If 1988 develops as indicated in Figure 2, it will mean that the industry has broken out of the relatively stagnant period in which it has been since 1983. From a low in 1980, the industry climbed steadily to 1983, when total shipments were 362,000 units, and by 1984, shipments reached 400,000 units. Since then, however, shipment numbers have stayed within those 1983-84 bounds.

That the industry's three major RV types move in concert can be seen in Figure 3, in which percent changes for the three types are shown. Motorhomes are the lowest in volume and the most volatile of the three, rising the most rapidly in good times and falling the fastest in bad years. This pattern is expected to continue in the forecast for 1988. Our econometric model is telling us that motorhomes could increase by as much as 34% in 1988, compared with a 24% increase in towables and a 9% gain by van conversions.

To achieve these significant gains in 1988, motorhomes would increase by 23,600 units, going from 67,100 in 1987 to 89,700 units in '88. Towables, as seen in Figure 4, would similarly rise from 129,400 in '87 to 159,800 units next year, a gain of more than 30,000 units. Van conversions, in this buoyant outlook, would rise by 16,000 units, increasing from 179,100 units in 1987 to 195,100 in '88.

The National Economy

How do we obtain these optimistic levels? Our model of the RV industry has many components, but three key items are consumer disposable income, relative energy prices and interest rates. Basically, the outlook for all three in 1988 is favorable.

Given current worldwide factors—and ignoring the unpredictable Persian Gulf situation—the prices Americans pay for gas and oil should not rise faster than the prices of other goods and services. Hence, one of the major factors which has an adverse influence on RV sales will not be operative in the year ahead. We are anticipating a mere 3.3% increase in prices generally in the American economy in 1988.

Interest rates, meanwhile, are expected to continue to rise during this third quarter of 1987, which is one of the retarding factors in this year's forecast, as seen in Figure 5. The third quarter is predicted to be the low point for the year for all three major RV groups as interest rates peak. Thereafter, we expect a decline in interest rates in early 1988, followed by a gradual rise as the year progresses.

Finally, it is predicted that consumers will see better real disposable income growth in 1988 than they have experienced in 1987. One drag on the RV industry this year has been the slow growth in real income. But next year, more of the benefits from the 1986 tax-reform package come into effect. The result should be a 2.54% growth of real disposable income, or double the anemic 1.26% increase of 1987. Some of this increase will be due to an improved export market for American products due to the weaker dollar. An expected steady decline in unemployment will also help bolster consumer confidence and spending.

Basically, the United States and the RV industry have been trapped in a period of low growth for some time.

However, this relative stagnation is counterbalanced by some good indicators:

- The heavy federal-budget deficit is getting to be less of a problem, although it remains a serious issue.
- The trade deficit shows sporadic signs of improvement due to increases in exports, although our tendency to import seems to be undiminished.
- Inflation and unemployment rates are not serious problems at this time and show signs of dropping further.
- Banks appear to be restructuring and accommodating heavy foreign-loan losses.

Though we may not have all our problems under control, there are signals that an escape from the current sluggishness is feasible. That view drives our positive outlook for the RV industry in 1988. Δ

FIGURE 3

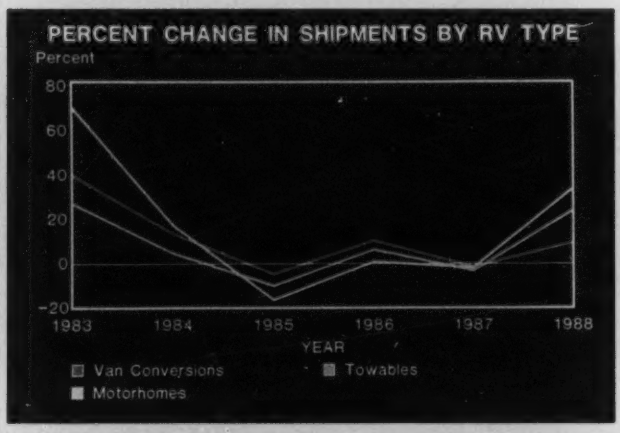


FIGURE 4

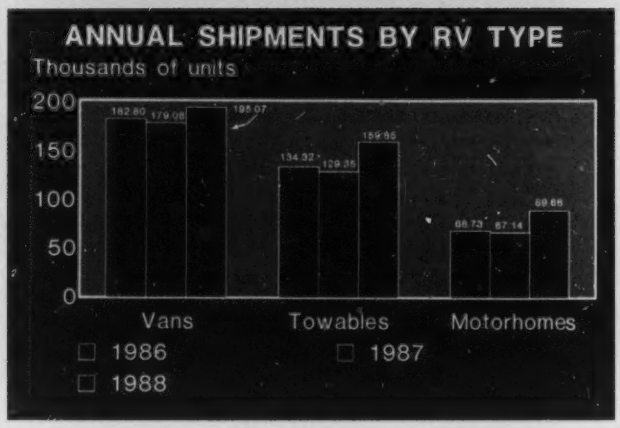
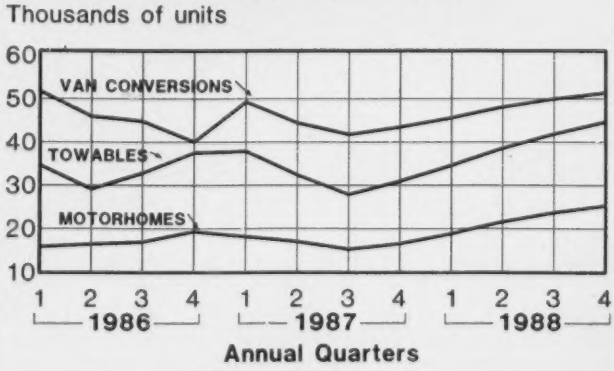


FIGURE 5

QUARTERLY SHIPMENTS BY RV TYPE
(Seasonally adjusted data)



This economic outlook was developed by the Indiana University School of Business. The national forecast was prepared under the direction of R. Jeffrey Green; the RV forecast was developed by Charles Hageboeck; graphics and text were written specifically for RV Business *and are the work of Morton J. Marcus, director of the Indiana Business Research Center and a regular contributor to these pages.*

CHARTS: CUSTOM COLOR VISUALS

DAB REPORTS JULY SALES 'EXCELLENT'

GAYLORD MAXWELL

July was an excellent retail month, according to the dealers who comprise *RV Business*' Dealer Advisory Board (DAB). Fifteen were up in sales over July of '86. Dollars taken in and the number of units sold were at an all-time high for many of them. Grosses were rated good to excellent, and bottomlines were excellent for almost half the members of the DAB (most of the others rated them good).

Used-unit sales both for July and for the year-to-date were still running ahead of last year. However, sales were reported to be slow in some areas because of the lack of good, clean units. The service-and-accessory end of business was still going strong as most DAB members rated it good to excellent.

Dealer inventories seemed to be in good shape, with most members of the DAB rating them between average and low. Used units were in short supply for some dealers, however.

Most board members gave lot traffic low to average ratings, while they rated sales as excellent. The fact that the percentage of new buyers was rated as low to average indicates a relatively high percentage of repeat buyers.

The year-to-date picture was quite good. Eighteen members (78%) of the DAB were ahead of '86 in dollars taken in. Both new- and used-unit sales were slightly ahead of the previous year. Although some of the larger dealers posted tremendous dollar gains (in terms of percentages) for the year-to-date, smaller dealers got their share.

All indications were that these positive trends will continue for the rest of the year.

Motorhomes

Although the number of new units sold this July was very close to that of last year, the year-to-date figures show this category to be the sales front runner of RV types so far in '87. More than with any other RV type, the big dealers are getting the largest share of the increase.

Used sales were particularly strong in July. Two large dealers on the DAB reported they were completely out of Class A's.

Motorhome profits were generally rated good to excellent.

Travel Trailers

By a margin of about 2 to 1, DAB members who sell this RV type were ahead of last July in new-unit sales. The percentage of increase for the month was more than double that for the year-to-date. However, new-unit sales totals for the month (in fact, for all months) were relatively small. Trailer dealers don't get the big numbers that they used to get.

Used-unit sales have taken an inexplicable turn for the worse—down both for the month and for the year-to-date.

Trailer profits were still running quite strong, with most ratings good or excellent.

Truck Campers

It was a mixed bag for this category in July. About the same number of dealers were up, and three were down. Both new- and used-unit sales totals were higher than last July. Contrary to the oft-held opinion that motorhome dealers don't do well with fold-downs, the largest seller of that type on the DAB (245 units so far this year) is also a large motorhome dealer (91 units for the same period).

Profits received mixed ratings ranging from poor to excellent. At this time of the year when most dealers are trying to unload their current inventory, that isn't surprising.

Fifth-wheels

Fiver sales in July were well ahead of those of the corresponding month last year. Two members of the DAB who usually do exceptionally well with this RV type beat last year's figures. Used fivers were down a couple of units in July but were well ahead for the year-to-date.

Profits were rated fair to excellent. Δ

	FOR MONTH			YEAR-TO-DATE			FOR MONTH			YEAR-TO-DATE		
	JULY 1987	JULY 1986	% CHANGE	1987	1986	% CHANGE	JULY 1987	JULY 1986	% CHANGE	1987	1986	% CHANGE
TRAVEL TRAILERS	133	118	+13	861	816	+ 6	136	146	− 7	771	803	− 4
CAMPING TRAILERS	133	128	+ 4	908	883	+ 3	42	40	+ 5	226	287	− 7

	JULY 1987	JULY 1986	% CHANGE	1987	1986	% CHANGE
TOTAL UNIT SALES	840	802	+ 5	5,275	5,105	+ 3
USED-UNIT SALES	372	361	+ 3	2,241	2,191	+ 2

The "DAB Perspective" is a compilation of data provided by *RV Business*' Dealer Advisory Board (DAB), a group comprised of 24 dealers representing a cross section of the U.S. dealer body.

Gaylord Maxwell, chairman; **Dave Altman,** Baldwin Park, Calif.; **Annette Autry-Miller,** Fayetteville, N.C.; **Robert Azevedo,** Sunnyvale, Calif.; **Jack Cole,** North Hollywood, Calif.; **Dick Dasson,** Victor, N.Y.; **Bill De Groot,** Junction City, Ore.; **Crosby Forrest,** Newport News, Va.; **Danny Gamel,** Fresno, Calif.; **Jerry Greer,** Columbus, Ohio; **Jerry Harrison,** Waco, Texas; **Dottie Helgeson,** Seattle, Wash.; **Newton Kindlund,** Orlando, Fla.; **Ozzie Lenhard,** Sayville, N.Y.; **Larry McClain,** Oklahoma City, Okla.; **Jack Moras,** Warwick, R.I.; **Mike Peay,** Albuquerque, N.M.; **Edward Peterson,** Lafayette, Ind.; **William Pfier,** Warren, Mich.; **Tom Schaeffer,** Shoemakersville, Pa.; **Mel Shipp,** Chattanooga, Tenn.; **Jack Sisemore,** Amarillo, Texas; **Bill Thomas,** Bridgeton, Mo.; **Fran Van Pelt,** Aurora, Ill.; **Larry Washburn,** Lakewood, Colo.

This report is an attempt to reflect the current retail sales picture; it does not purport to indicate RV production or factory sales to dealers.